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Third Annual Report

National Dairy Products Corporation

NEW YORK, N. Y.

YEAR ENDED DECEMBER 31, 1925

BOARDS
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National Dairy Products Corporation

120 BROADWAY

NEW YORK

DIRECTORS

Loton Horton,
Chairman of Board of Directors

Edwin M. Bailey
Henry W. Breyer
Frederick J. Bridges
Joseph T. Castles
Waddill Catchings
Clarence J. Dauphinot
Alfred A. DuBan
Robert J. Flick
Joseph Gilfillan
B. S. Halsey
Ralph H. Horton
J. M. Hoyt

Edward E. Rieck,
Chairman of Executive Board

Jos. L. Jones
Harold M. Lehman
James G. Lewis
E. J. Mather
Thos. H. McInnerney
Charles F. Nettrour
Wilbur S. Scott
C. Henderson Supplee
I. A. Van Bomel
L. A. Van Bomel
Frank A. Wills
Henry N. Woolman

OFFICERS

President ..... Thos. H. McInnerney
Vice-President ..... Alfred A. DuBan
Vice-President ..... James G. Lewis
Vice-President ..... C. Henderson Supplee
Vice-President ..... L. A. Van Bomel
Vice-President ..... Frank A. Wills
Treasurer ..... Jos. L. Jones
Secretary ..... Frederick J. Bridges

TRANSFER AGENT
Bankers Trust Company
New York, N. Y.

REGISTRAR
Chase National Bank
New York, N. Y.

Counsel ..... Sullivan & Cromwell
Auditors ..... Price, Waterhouse & Co.

Executive Offices ..... 120 *Broadway, New York, N. Y.*

National Dairy Products Corporation

New York, N. Y., March 26, 1926.

To the Stockholders:

The third annual report of National Dairy Products Corporation and subsidiaries for the year ended December 31, 1925, together with the consolidated income account and balance sheet, as certified by Price Waterhouse & Co., is submitted herewith.

The policy of acquiring carefully selected and established non-competitive companies, which was so satisfactorily inaugurated at the inception of the company, has been continued during the past year and we expect to follow this course in the future. As the result of this policy your company has acquired during 1925, directly or through its subsidiaries, the assets or the stock of the following businesses against which there were issued $22,713,421.86 of cash and par value senior securities and 442,294 shares of your company's common stock:

Name	Location
Sheffield Farms Company, Inc. and subsidiaries	New York, N. Y.
Supplee-Wills-Jones Milk Company	Philadelphia, Pa.
The Franklin Ice Cream Corporation	Kansas City, Mo.
Chapell Ice Cream Company, Inc.	Chicago, Ill.
Thompson Ice Cream Company	Chicago, Ill.
Edward E. Rieck Company, Inc.	New York, N. Y.
Newark Milk Company	Newark, N. J.
Allen Ice Cream Company	Rockford, Ill.
Carpenter Ice Cream Co.	St. Louis, Mo.
Clover Farm Dairy Company	Memphis, Tenn.
Erie County Milk Association	Erie, Pa.
Jamestown Ice Cream Company	Jamestown, N. Y.
Lily Ice Cream Company	Memphis, Tenn.
Lake City Ice Cream Company, Inc.	Jamestown, N. Y.
Louis Moglia	Morristown, N. J.
Wm. Ohlhaver Company	Aurora, Ill.

In consequence of these acquisitions and the constant growth of the sales of your company's subsidiaries, the volume of business increased to $105,377,151.78 for 1925 as compared with $20,180,892.46 in 1924.

The net earnings of your company and its subsidiaries for 1925 after deducting all charges, including Federal income taxes, amount to $6,898,363.06. These profits include the earnings for the calendar year of the companies acquired in 1925, and are arrived at after deducting $6,510,751.09 as depreciation and repairs. After providing for dividends and interest for the full year on all senior securities outstanding as of December 31, 1925, the balance of profits remaining would be equivalent to $6.55 per share on the National Dairy Products Corporation common stock then outstanding.

The experience of your company has demonstrated that there is a real advantage both to the producer of milk and to the public in the combination of milk distributing and ice cream producing units because such a combination provides a natural market for the normal increased milk production during the summer months. Government statistics show a constantly growing per capita consumption of both ice cream and milk.

For the current year we anticipate even more favorable earnings for our shareholders than in 1925.

By order of the Board of Directors

THOS. H. McINNERNEY,

President.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

COMBINED STATEMENT OF PROFIT AND LOSS

For the Year Ending December 31, 1925

Including the results of the operations of companies acquired during the year prior to date of acquisition.

Net sales		$105,377,151.78
Deduct—Cost of sales and delivery expenses	$85,282,682.40	
Depreciation and repairs	6,510,751.09	
		91,793,433.49
Gross profit		$13,583,718.29
Other income		522,234.10
Gross profit and other income		$14,105,952.39
Deduct—Administrative, selling and general expenses and interest on funded and floating debt of subsidiary companies	$6,161,391.33	
Federal income taxes	1,046,198.00	
		7,207,589.33
Combined profits before all dividends and interest on National Dairy Products Corporation 6% notes		$6,898,363.06

Note—Combined profits before dividends and interest on National Dairy Products Corporation 6% notes		$6,898,363.06
Deduct—Dividend requirements on preferred stocks of subsidiary companies, etc., for full year		697,396.95
Balance		$6,200.966.11
Deduct—Interest on National Dairy Products Corporation 6% notes for full year	$900,000.00	
Less—Adjustment of Federal income tax in respect thereof	117,000.00	
	$783,000.00	
Dividend requirement on National Dairy Products Corporation preferred stock for full year	484,708.00	
		1,267,708.00
Balance after providing for charges for full year on preferred stocks and interest on funded obligations outstanding at December 31, 1925 equivalent to $6.55 per share on 752,216 shares of common stock of National Dairy Products Corporation		$4,933,258.11

National Dairy Pr

AND SUBSIDIA

CONSOLIDATED BALANCE SHEET

Assets

Current and Working Assets:		
Cash in banks and on hand	$4,872,362.98	
Marketable securities at cost	508,952.50	
Notes and accounts receivable, less reserve	4,172,434.16	
Inventories at cost or market whichever is lower	3,139,430.19	
Miscellaneous supplies and repair parts	1,022,166.43	
Receivable from officers and employees of subsidiary companies, stock subscriptions, etc	190,594.63	
Cash surrender value of life insurance policies	155,329.56	
		$14,061,270.45
Investments and Advances:		
Investments	$424,305.97	
Advances	107,055.05	
		531,361.02
Sinking Funds:		
Cash deposited with trustees, and other assets payable to trustees when liquidated in cash, to retire first mortgage bonds of Hydrox Corporation and Chapell Ice Cream Company, Inc.		52,753.50
Capital Assets:		
Land, buildings, machinery and equipment:		
Properties appraised—		
On the basis of appraisals at sound values together with subsequent additions at cost, less reserve for depreciation	$37,293,119.90	
Properties not appraised—		
On the basis of cost, less reserve for depreciation	3,986,604.56	
		41,279,724.46
Deferred Charges:		
Unamortized bond discount, prepaid taxes, insurance and other expenses		406,933.77
Goodwill Purchased		11,963,758.26
		$68,295,801.46

We have examined the books and accounts of the National Dairy Products Corporation and subsidiary companies fo year, and find that the above consolidated balance sheet as at December 31, 1925 and relative statements of profit and loss of December 31, 1025 and relative statements of profit and loss and surplus fairly state the financial position of the Nati year ending on that date.

56 Pine Street,
New York,
March 18, 1926.

ducts Corporation

Y COMPANIES

DECEMBER 31, 1925

Liabilities

Current Liabilities:			
Notes payable		$276,122.79	
Accounts payable including sundry accruals		6,262,872.46	
Liability for subsidiary companies' stocks to be acquired under purchase contracts		1,049,500.00	
Dividends payable and accrued		141,592.05	
Provision for Federal taxes		1,118,000.00	
			$8,848,087.30
Reserves for Contingencies			844,534.90
Funded and Mortgage Debt:			
National Dairy Products Corporation—			
Fifteen year, 6% collateral trust notes, due November 1, 1940		$15,000,000.00	
Subsidiary companies:			
First mortgage 6% bonds	$1,094,050.00		
First mortgage 6½% bonds	2,385,000.00		
Debenture 6% notes	29,000.00		
Real estate mortgages	1,650,125.00	5,158,175.00	
			20,158,175.00
Minority Stockholders' Interest in Capital and Surplus of Subsidiary Companies			117,008.99
Preferred Stock of Subsidiary Companies:			
Per statement attached			9,337,165.00
Capital and Initial Surplus:			
Preferred stock 7% cumulative—			
Authorized and issued—			
69,244 shares of $100 each			6,924,400.00
Common stock and initial surplus (after deducting discount on fifteen year 6% notes)—			
Authorized—1,000,000 shares of no par value			
Issued—752,216 shares of no par value			19,328,310.61
Earned Surplus, per statement attached			2,738,119.66
			$68,295,801.46

the year ending December 31, 1925 and the books and accounts of the companies whose stocks were acquired during the nd surplus have been correctly prepared therefrom, and we certify that, in our opinion, the consolidated balance sheet as nal Dairy Products Corporation and subsidiary companies at December 31, 1925, and the results of the operations for the

PRICE, WATERHOUSE & CO.

National Dairy Products Corporation

AND SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND SURPLUS

For the Year Ending December 31, 1925

Combined profits for the year ending December 31, 1925 as per statement of profit and loss	$6,898,363.06	
Less—Profits prior to date of acquisition of companies acquired during the year	2,803,904.19	$4,094,458.87
Deduct—Dividends paid and accrued on stocks of subsidiary companies held by the public:		
Preferred	$792,594.56	
Common	8,441.50	
	$801,036.06	
Interest on National Dairy Products Corporation 6% notes	75,000.00	876,036.06
Balance applicable to preferred and common stocks of National Dairy Products Corporation		$3,218,422.81
Deduct—Dividends paid on preferred and common stocks of National Dairy Products Corporation from time to time outstanding:		
Preferred	$40,392.32	
Common	1,270,113.75	1,310,506.07
Surplus for year ending December 31, 1925		$1,907,916.74
Add—Earned surplus at December 31, 1924		830,202.92
Earned surplus at December 31, 1925 as per balance sheet		$2,738,119.66

National Dairy Products Corporation

STATEMENT OF PREFERRED STOCKS OF SUBSIDIARY COMPANIES

December 31, 1925

Rieck-McJunkin Dairy Company 8% cumulative: Authorized—350,000 shares of $10 par value Issued and outstanding—310,789 shares	$3,107,890
The W. E. Hoffman Company 7% cumulative: Authorized and issued—3,250 shares of $100 par value	325,000
Moore Brothers Company 7% cumulative: Authorized—2,500 shares of $100 par value Issued—1,550 shares	155,000
Erie County Milk Association 6% cumulative: Authorized—4,580 shares of $50 par value issued and outstanding—4,567 shares	228,350
Hydrox Corporation 7% cumulative: Authorized—20,000 shares of $100 par value Issued—12,500 shares	1,250,000
Hydrox Company of Indiana 7% cumulative: Authorized—2,000 shares of $100 par value Issued—352 shares	35,200
The J. T. Castles Ice Cream Company $7.00 cumulative Authorized and issued—12,000 shares of no par value	1,200,000
Castles Ice Cream Company of Perth Amboy $7.00 cumulative: Authorized and issued—3,000 shares of no par value	300,000
Chapell Ice Cream Company, Inc. 7% cumulative: Authorized and issued—7,500 shares of $100. par value	750,000
Clover Farm Dairy Corporation 7% cumulative: Authorized—3,000 shares of $100 par value Issued—2,357¼ shares	235,725
Newark Milk Company $7.00 cumulative: Authorized and issued—2,500 shares of no par value	250,000
Sheffield Farms Company, Inc., 6% cumulative: Authorized and issued—15,000 shares of $100 par value	1,500,000
Total as per balance sheet	$9,337,165

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